



FULL COMMISSION MEETING

Wednesday, October 22, 2003 - 11:00 a.m.

Slemp Student Center

University of Virginia at Wise

APPEARANCES:

The Honorable Charles R. Hawkins - Chairman
The Honorable Phillip P. Puckett
The Honorable Frank M. Ruff, Jr.
The Honorable William C. Wampler, Jr.
The Honorable Terry G. Kilgore - Vice-Chairman
The Honorable Kathy J. Byron
The Honorable Clarke N. Hogan
The Honorable Joseph P. Johnson, Jr.
The Honorable Thomas C. Wright, Jr.
The Honorable Michael J. Schewel
Mr. J. Carlton Courter, III
Pam Curry for The Honorable John Bennett
The Honorable Gary D. Walker
The Honorable Isiah G. Hopkins
The Honorable Mary Sue Terry
Mr. Thomas W. Arthur
Mr. Stephen S. Banner
Mr. Clarence D. Bryant, III
Mr. Fred M. Fields
Mr. Buddy Mayhew
Mr. H. Ronnie Montgomery
Mr. Harrison Moody
Mr. John M. Stallard
Mr. James C. Thompson
Mr. John T. Taylor
Mr. Thomas E. West
Mr. Harrison Moody
Mr. Edward Owens

COMMISSION STAFF & ATTORNEY GENERAL'S OFFICE:

Carthan F. Currin, III, Executive Director
Mary Cabell Sherrod, Manager of Communications and Committee Operations
Tim Pfohl, Grants Program Administration Manager
Britt Nelson, Grants Program Administrator Southside
Jerry Fouse - Grants Program Administrator Southwest
Stephanie Wass, Director of Finance
Frank Ferguson, Senior Assistant Attorney General
Anne Marie Cushmac, Senior Assistant Attorney General

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5 SENATOR HAWKINS: Let me call this meeting to order. Good morning,
6 everyone. I'd ask you all to take your seats and let's get started. We have a very busy agenda. Would
7 you call the roll, Carthan?

8 MR. CURRIN: Mr. Arthur?

9 MR. ARTHUR: Here.

10 MR. CURRIN: Mr. Banner?

11 MR. BANNER: Here.

12 MR. CURRIN: Deputy Secretary of Finance, Pam Curry?

13 MS. CURRY: Here.

14 MR. CURRIN: Mr. Bryant?

15 MR. BRYANT: Here.

16 MR. CURRIN: Delegate Byron?

17 DELEGATE BYRON: Here.

18 MR. CURRIN: Commissioner Courter?

19 COMMISSIONER COURTER: Here.

20 MR. CURRIN: Delegate Dudley?

21 DELEGATE DUDLEY: (No response.)

22 MR. CURRIN: Mr. Fields?

23 MR. FIELDS: Here.

24 MR. CURRIN: Mr. Hite?

25 MR. HITE: (No response.)

26 MR. CURRIN: Delegate Hogan?

27 DELEGATE HOGAN: Here.

28 MR. CURRIN: Mr. Hopkins?

29 MR. HOPKINS: Here.

30 MR. CURRIN: Mr. Jenkins?

31 MR. JENKINS: (No response.)

32 MR. CURRIN: Delegate Johnson?

33 DELEGATE JOHNSON: Here.

34 MR. CURRIN: Mr. Mayhew?

35 MR. MAYHEW: Here.

36 MR. CURRIN: Mr. Montgomery?

37 MR. MONTGOMERY: Here.

38 MR. CURRIN: Mr. Moody?

39 MR. MOODY: Here.

40 MR. CURRIN: Mr. Owen?

41 MR. OWEN: (No response.)

42 MR. CURRIN: Mr. Owens?

43 MR. OWENS: Here.

44 MR. CURRIN: Senator Puckett?

45 SENATOR PUCKETT: Here.

1 MR. CURRIN: Senator Ruff?

2 SENATOR RUFF: Here.

3 MR. CURRIN: Secretary Schewel?

4 SECRETARY SCHEWEL: Here.

5 MR. CURRIN: Mr. Stallard?

6 MR. STALLARD: Here.

7 MR. CURRIN: Mr. Taylor?

8 MR. TAYLOR: Here.

9 MR. CURRIN: Ms. Terry?

10 MS. TERRY: Here.

11 MR. CURRIN: Mr. Thompson?

12 MR. THOMPSON: Here.

13 MR. CURRIN: Mr. Walker?

14 MR. WALKER: Here.

15 MR. CURRIN: Senator Wampler?

16 SENATOR WAMPLER: Here.

17 MR. CURRIN: Mr. West?

18 MR. WEST: Here.

19 MR. CURRIN: Delegate Wright?

20 DELEGATE WRIGHT: Here.

21 MR. CURRIN: Vice-Chairman Kilgore?

22 VICE-CHAIRMAN KILGORE: Here.

23 MR. CURRIN: Mr. Chairman?

24 SENATOR HAWKINS: Here. Good morning to you all, it's hard to believe but
25 this is our fourth year, time flies when you're having fun. I welcome all the new members to the
26 meeting.

27 MR. CURRIN: Mr. Chairman and Commission Members, pursuant to a section in
28 our Bylaws it's time for the election. It's time to elect a Chairman and a Vice-Chairman for the next two
29 years. So at this time I will entertain a motion to elect a Chairman and Vice-Chairman for the next two
30 years to serve until October, 2005. The Chair would now entertain a motion. Senator Puckett.

31 SENATOR PUCKETT: Mr. Executive Director, I'd like to place the name of
32 Senator Charles Hawkins to serve as our Chairman.

33 MR. CURRIN: A motion has been made and seconded, any other nominations?
34 Hearing none --

35 DELEGATE JOHNSON: -- I move the nominations be closed.

36 MR. CURRIN: A motion is made that the motions be closed. All those in favor of
37 Senator Charles Hawkins serving as Chairman of the Tobacco Commission for the next two years, say
38 aye. (Ayes.) Opposed, say nay. (No response.) The ayes have it, congratulations, Mr. Chairman.

39 SENATOR HAWKINS: Thank you all for a vote of confidence. Now we need to
40 elect a Vice-Chairman.

41 DELEGATE HOGAN: Mr. Chairman.

42 SENATOR HAWKINS: Delegate Hogan.

43 DELEGATE HOGAN: I'd like to nominate Delegate Kilgore for Vice-Chairman.

44 SENATOR HAWKINS: A motion has been made and seconded. Delegate Kilgore
45 has been nominated to be Vice-Chairman for a term of two years. Any other nominations?

1 MR. TAYLOR: I move the nominations be closed.

2 SENATOR HAWKINS: It's been moved that the nominations be closed. All those
3 in favor of closing the nominations signify by saying aye. (Ayes.) All those in favor of electing
4 Delegate Kilgore as Vice-Chairman say aye. (Ayes.) Thank you, very much.

5 Thank you all. I know that some think that I have inherited this job for life, and that's not
6 correct. What we're trying to do is put in place a basis and framework to achieve a situation that when
7 all of us are no longer serving that the next generation will have some firm guidelines to go by to make
8 sure that we put things in place that will benefit all the people that we are charged with representing, and
9 that's something I take very seriously.

10 Today there's a couple of things that I need to make an announcement about. One of them is
11 Claude Owen, who is a member of this Commission, his wife fell and has a fractured skull and
12 obviously he couldn't be here. I'd like to ask the Members of the Commission to pause a moment and
13 ask that Claude be in our prayers. I'd ask, Mr. Director, that we send some flowers from the
14 Commission. That's certainly nothing that we want to take lightly.

15 The next thing that I want to mention, and this has been brought to my attention that
16 historically we have to depend upon our local governments and local entities to make announcements on
17 check presentations, deal closing and things like that. I've been told two or three times that people have
18 not been notified, so we can no longer depend on our local governments to do that. Carthan has taken
19 the initiative to instruct the Staff that any time that anything happens that every member be notified by
20 the Commission to make sure that you all are aware of what's happening within our areas. That's
21 something that we cannot assume, so I think we have fixed that problem.

22 I want to thank you, Dr. Kaplan, for the use of this campus. You all have a wonderful facility
23 here. You all have done more for this campus than any one else. It's a real pleasure to be here. This is a
24 wonderful campus, and this facility is top notch, and your students should really feel proud to be here.

25 DR. KAPLAN: Mr. Chairman and distinguished guests, thank you, very much, for
26 having your meeting here, and we're proud to have you here, and it's a pleasure to see all of you. I'm
27 Steve Kaplan, and I'm Chancellor of this Institution. If you have an opportunity to visit the campus, if
28 you get an opportunity when you have a break, step over to the window here and look out to your left
29 and you'll see a sandstone building that is now closed. Under the recent bond referendum that we
30 received, and we received four and a half million dollars in state funding for the renovation of that
31 building, and that'll begin this spring. That's Crockett Hall, and that is the college in the past. We're
32 celebrating our fiftieth anniversary, and forty-nine years ago that building opened, and that was the first
33 building on the campus. Prior to an academic building it was the county court farm. If you look out the
34 windows on this side of the building, you'll see another sandstone building, and that's Bowers Hall, and
35 that was the second original building on the campus. When this campus opened we had a hundred and
36 thirteen students mainly from this region and Wise County and surrounding counties. As my
37 predecessor tells it, over in this building we had the home for wayward women. It was a recruiter's
38 dream. Those two buildings symbolize, in a very significant way, what the college meant to this region,
39 because that's where the college began and that's where it took its roots. The people of this region and
40 the people of this town made this college a reality through their vision and dreams.

41 The building that you're in today is where the college is going, and this is the future. You can
42 get that sense just walking through the building. I encourage you when you're done with your meeting, I
43 would encourage you to take the stairs down and stop along the way and get a sense of what this
44 building does, because what this building does is that it ties in the lower campus with the rest of the
45 campus. And, we have seventeen hundred students, a third of them are on campus with our upper

campus, which is the academic campus. We're hoping to create a real flow of community here, and we think that this building will be a magnet for students and faculty and staff to interact and create a sense of community that makes it a more vibrant campus than it already is. If you look around you'll see a lot of changes, and you'll see a new residential hall in this other building over here. Thanks to the support of our regional delegates and representatives and senators, we have a magnificent science center. People from all over Virginia come here who are interested in science. People have said that our science facility for the undergraduates is actually better than their science facility for undergraduate students. I spent the weekend in Pennsylvania and New York with my youngest daughter touring colleges and some colleges with half a billion dollars of endowments, and these are schools of our size from private to large schools, and some of those are close to forty thousand dollars in tuition fees. And not one of those campuses, and I'm not exaggerating, can't get close to what we have here, and I'm not exaggerating. What we have here is an absolutely remarkable motivated student body with diverse backgrounds. Seventy-two percent of the students come to the college under financial aid, and that is need-based financial aid. That's the highest in the state of Virginia, and that's higher than any other institutions and one of the highest institutions in the country. Of those students that graduate, they graduate with the lowest debt of any students in three hundred public or private colleges in the country. That's significant, because these young people are first generation, and twenty-five percent of them graduate in the top ten percent of their high school class. We're able to support them through our endowment with private gifts that allow us to give scholarships. There's a hundred and forty scholarships provided through the Tobacco Commission, which is significant for a hundred and twenty students here on scholarship through your aid. Those students might not be in college if it were not for your help. The reason I think that is significant is that they're not just coming with the highest financial aid need but they graduate with a lower debt fee in the country, and that they go on to do remarkable things. There are doctors and lawyers in this region and schoolteachers. They're not just doctors, lawyers and schoolteachers, they're among the best in the state of Virginia. When they graduate here and receive their education, their exam scores, they're as high as the scores of the students at William & Mary and the University of Virginia. That's quite remarkable considering the disadvantages that they come to us with in terms of being a first generation, because often they don't have the opportunities that the students have from other schools. Our students in the statewide CPA exam have the highest scores. I can prove this because I have been told that there are some years where per capita we have more students in Virginia medical schools than they do. I have heard that when they get to the anatomy courses, biology and so forth, that some of our students are asked where did you go to college. We're one of the few undergraduate institutions in the country where in the biology classes they actually perform work on human cadavers. Recently one of my Chancellors said I'm liking to that. We have a very good student body on campus, and we're very proud of that. We thank you for your support, your interest in the college, and we hope you have a wonderful meeting, and again, I thank you for choosing this site for your meeting. This is a remarkable region and beautiful at this time of the year. We hope to see you back again, and thank you very much, and enjoy your stay here.

SENATOR HAWKINS: Thank you, very much. Senator Wampler.

SENATOR WAMPLER: Thank you, Mr. Chairman. It's significant to note that there are, at least for historical significance, there are at least two among us sitting at this table, one to my immediate right and immediate left that graduated from here. Terry tells me that he actually lived in the poor house.

SENATOR HAWKINS: We'll now hear from a resident of the poor house.

DELEGATE KILGORE: I want to thank Dr. Kaplan for hosting us and hosting the

1 Tobacco Commission. I want to thank the college for all the hard work you've done and all the
2 opportunities that you have given and still are giving to our citizens here for higher education. Thank
3 you for that.

4 SENATOR HAWKINS: Once again, sir, I thank you for that and this is indeed a
5 wonderful educational situation. We know what's been taking place here, for this region, and we know
6 you're doing a wonderful job. This is one of our signature pieces for education.

7 If you all will bear with me for one second, I need to probably address a couple of things that
8 are of concern to me. I sat here yesterday and listened to a presentation when the sub-committee met
9 dealing with economic conditions and how we would approach that; also, a presentation from local
10 governments. There seems to be an assumption on a lot of people's part that the money we have been
11 given charge of by the General Assembly is something that they have a right to. We have a
12 responsibility to make sure that these monies are spent wisely. Let me assure you that if we do not live
13 up to that responsibility the legislature will take those monies away, and if not, the next governor, he or
14 she may put this into a budget, and it's gone forever. This Governor deserves a great deal of credit for
15 that. Let me emphasize this as strongly as I possibly can. Under the economic conditions that we went
16 into during the last session of the General Assembly one of the easiest things that this administration
17 could have done was taking our money and putting it into the budget. Governor Warner said I would not
18 do that, because this money has to be left in place to build the economies, and let me repeat that, to build
19 the economies of Southside and Southwest Virginia. If we do not understand this charge and continue to
20 rubber stamp projects coming from our local governments dealing with things that they should be
21 paying for out of their own tax revenue and are their own responsibility, then we're going to have a real
22 problem. We need to be more proactive.

23 I want to thank Mary Sue Terry for her efforts to work with Patrick County and Henry County
24 in trying to bring together some conversation between those two counties of what they could do to be
25 able to offer some ideas that we can look at for funding opportunities. Building on that, what I'm going
26 to suggest to the Commission is that we take a more proactive approach and work with our local
27 governments and let them understand fully that we want to not only try to attract an eight hundred pound
28 gorilla for industry but help foster new growth and jobs within our localities that are owned locally and
29 grown locally and create local economies that hire two or three or twenty people that are there in good
30 times and bad times and stop trying to create a mega industry that may or may not come. If it does it
31 can be bought by someone overnight and leave us. We need that flexibility.

32 We also need to understand that many of our rural counties like being rural counties. Rural
33 prosperity is not paving over every tree and every road that we have. We need to build on core
34 strengths, and we owe it to our cities and large towns that have infrastructure to support the type of
35 things that we are looking at. If the counties want to develop property we need to work with them as
36 well. People have a right to be able to live in a rural environment that they grew up in, be able to drive a
37 reasonable distance to find a good job and the stability to it.

38 What I'm going to suggest is that we put in place a group of citizen members of this
39 Commission from Southside and Southwest Virginia whose charge will be this: To look at all the
40 applications and find those niche industries that we have overlooked. Go out and think about things and
41 brainstorm and talk to people and find out what we need.

42 Motor sport is one of our biggest industries that we need to follow. Motor sports is something
43 unique. If we're not careful North Carolina is going to steal our bacon, and we can't let that happen. We
44 need to identify these niche industries and work with them.

45 Historical preservation of homes and tourism is a major asset for us, particularly on the

1 Staunton River. You've got various properties, and you've got Red Hill, and we've got things that need
2 to be looked at and developed. Tourism is good, clean money, and we need to develop that.

3 So, what I'd like to do is have the citizen group to get together periodically and maybe split
4 between Southwest and Southside, depending on how you all structure that, but get to the localities and
5 say look, we've gone through your assets, and we've gone through your neighbor's assets, and these are
6 your strengths as we see them, these are your weaknesses, we want to work with you in this area
7 because it meets our long-term plans for development. We want you to submit to us a plan on how we
8 can develop this aspect of your county or city, and we're willing to help you fund that. We will also
9 continue to work with you for the plans we have in place and the obligations there, but we're not going
10 to go ahead and build shell buildings unless it meets the long-term plan that we put in place. It's our
11 responsibility to do these things, and it's up to us to do it. If we don't live up to our charge, we're going
12 to fail miserably in what we're doing.

13 Another thing we need to talk about in these meetings is that county lines are important and
14 homes are important, and this is all part of our lives. As a member of this Commission you not only
15 represent the place that you live, but you represent the entire area and the Tobacco Commission in
16 trying to put our hands around what our real problem is of double-digit unemployment. The decline in
17 manufacturing jobs, the decline in textile, you can name the problems and they're there, and tobacco
18 could help pay for that. In order to do that we've got to concentrate on a regional approach to these
19 things and we've got to get away from just thinking of our collegialism. We need to fund projects that
20 are right to be funded. Every company that develops in our area has historically been built by these
21 plants that I've mentioned, and we talked about it this morning. If you look at our history, Lane
22 Furniture started a plant in Alta Vista, and they opened a satellite plant in Rocky Mount. Danville Mills
23 had a plant in Danville and the largest employer in the state of Virginia at one time and still has a
24 satellite facility in Brookneal where they have over four hundred employees today. Craddock Shoe
25 Company had a large operation in Lynchburg, Virginia and had a plant in South Boston and Gretna,
26 Farmville, and they were there employing people in the communities. Economic benefit is not isolated
27 to that one-time investment, it's spread out and reinvested, and we need to understand that. The money
28 we spend by this Commission needs to be seed corn for the next generation who will stay at home and
29 raise their families in prosperity, and we can do that.

30 Having said that, what I would like to do is read off a list of names that I would like to
31 participate in this function, and it is a responsibility that I hope you will not take lightly. We need to be
32 able to stand up with our localities and say no. It's a hard word for politicians to say, no, and that's the
33 reason why I want citizen members here, and they can say no. We don't like the word no. Starting at the
34 top, Tom Arthur, Fred Fields, Ronnie Montgomery, Claude Owen, Ed Owens, John Stallard, J. T. Taylor,
35 Mary Sue Terry, Jim Thompson, Gary Walker. I tried to get a balance of experience and understanding
36 and not to make it such a point that it would not be operational. I would also like Ronnie Montgomery
37 to chair that. If you want to use two different divisions to look at areas, I would like Claude Owen to be
38 the co-chair. Therefore, you'll have people with experience in business and industry to be able to
39 balance these things out. What I would like, if you would agree to serve on this committee, and if
40 somebody else on the Commission has a strong desire to serve on this committee let me know, because
41 this is not a closed discussion either, it needs to be manageable. We need people that can work together
42 with fresh ideas and fresh thinking and be able to look outside the box, as they say. This has to be done.

43 This Commission is unique, and Virginia is the only state that has allocated this Master
44 Settlement money to be utilized this way. Fifty percent of the money goes to our control. The
45 legislation itself gives us a great deal of flexibility, and as a matter of fact, we can do pretty much as we

1 want to. The formula is set by us and the allocation is set by us, the division is set by us. The only thing
2 this does is puts in place a mechanism for us to be able to live up to our responsibilities. I hope you
3 understand that this is uniqueness that is here, and it is a great opportunity, and unless we live up to our
4 obligation we will fail miserably at our attempt, and at the end of the life of this Commission, at that
5 point we may have fields full of abandoned buildings and sewer lines not being used because there's no
6 plan in place. It's regional, it's across county lines, neighbor helping neighbor, and we've got to get
7 things in place today to do that. Having said all that, are there any comments?

8 We have three new Committee members, Mr. Moody, Mr. Owens and Mr. Jenkins. I was
9 reluctant to make Committee assignments until I talked to these people and get a feel for what they want
10 to do in the future. It's important to put people in place and find out what they want to work on as far as
11 committees. I would like to make three appointments and get them involved as soon as possible.
12 Southside Economic Committee, Mr. Moody and Mr. Owens, I'd like you to serve on that if you don't
13 mind. I talked to the Committee Chairman and Members who think it's important to have a geographic
14 balance, and hope that's something you all will look forward to serving on.

15 Mr. Jenkins made a request to serve on the Agribusiness Committee, so I'll make a
16 recommendation that he serve on the Agribusiness Committee. That's one appointment at this time, and
17 I will fill the other, because we need to go back and restructure some of these committees, because we
18 have some people that I want to switch on the committees, and we want to make sure that they are in
19 balance geographically. We will work on those and get those done within the next couple of days. Are
20 there any comments before we continue? All right. Thank you all.

21 Next, we have to approve the Minutes of July 10, 2003.

22 DELEGATE JOHNSON: Mr. Chairman, I move that we approve the Minutes.

23 SENATOR HAWKINS: It's been moved and seconded
24 that we approve the Minutes of the July 10th meeting. All in favor say aye? (Ayes.) Opposed? (No
25 response.) All right. Steve Rosenthal.

26 MR. ROSENTHAL: Very quickly, Mr. Chairman and members of the
27 Commission, we've had no problems. We have wrapped up the 2003 indemnification. We recently sent
28 out about three hundred straggler checks, if you will, and we'll clean that up. We are preparing for the
29 state audit and will be shortly sending out 1099's for this tax year. I think you'll hear later that the quota
30 owner base is probably going to move to 1999. So, we're gearing up for the status in that database along
31 with working with the database that we've already got in place. With that, Mr. Chairman, Troutman
32 Sanders thanks the Commission for all of its support in the form of services and the wonderful
33 cooperation.

34 SENATOR HAWKINS: I want to thank you, because it's been a fairly difficult
35 process putting all this into place. I have met farmers and groups of people that have had nothing but
36 compliments for the way this was all handled, and I'm very serious about that, and certainly we
37 appreciate the work that you've all done. Those things really make a difference.

38 MR. ROSENTHAL: We do that because we have the support of the Commission,
39 and we appreciate that very much.

40 SENATOR HAWKINS: Thank you. Carthan, Director's report.

41 MR. CURRIN: Good morning, Mr. Chairman and members of the Commission.
42 I'm delighted to give the Commission their fall quarterly report. Before I begin I would like to thank
43 Old Dominion Electric Cooperative and LENOWISCO Planning District for the lovely reception last
44 night in Big Stone Gap. I would also, Mr. Chairman, like to recognize some of my colleagues in
45 Virginia government, and that's Mr. Chuck Mills, Director of the Department of Small Business. I

1 appreciate you being here this morning, Chuck. Thank you.

2 Since our last meeting we've closed our books on fiscal year 2003, and this is a brief summary
3 of how we ended the year. Our fiscal 2003 MSA revenue was one point two million dollars more than
4 forecasted but well below the original estimate of the Attorney General when the MSA was agreed upon.

5 We earned a million point two dollars in interest for the first three quarters. If you recall, the fourth
6 quarter interest was withheld by the Appropriation Act to certain non-general fund agencies. A total of
7 thirty-four point eight million dollars in cash went out, leaving us with a year-end balance of seventy-
8 five point nine million dollars. This compares with thirty-four point four million dollars at the end of
9 last year and nineteen point seven million the year before that.

10 Since adopting in April, 2002, the reimbursement grant process and that's the main reason
11 those funds extended forward like they have. The Auditor of Public Accounts is currently conducting
12 his annual audit of the Commission, and that should be done within the next couple of weeks. The
13 unaudited fiscal '03 financial statements were mailed to you last week and should be in your packets.
14 We are working on the Commission's annual report, and hopefully we'll distribute it before December of
15 this year. As of Monday our cash balance was sixty-three point six million dollars. Our first quarter
16 cash expenditures total eleven point four million dollars. The first quarter should be completed and
17 mailed to you by the end of October.

18 The '04 budget update, as you know from our last meeting we are anticipating the Master
19 Settlement Agreement revenue of sixty-four million dollars for fiscal year 2004. However, as you know,
20 these funds will not be received until April 15 of 2004. We did receive a recent MSA payment of six
21 hundred forty-five thousand two hundred and three dollars, a settlement on a disputed payment.

22 Securitization update. We're continuing to monitor the tobacco bond market; however, not
23 much has changed since our last attempt last spring. All three rating agencies have downgraded tobacco
24 bonds, and to many of you this is no new news. Several states are working on securitizing, but no one
25 as of yet has taken a bite of that apple. In addition, the Justice Department has a lawsuit, and that may
26 have some influence on the market as well.

27 On the quota buy-out, recently the Chairman and Vice-Chairman and I and Congressman
28 Goodlatte, the Chairman of the House Agricultural Committee, got an update on the federal tobacco
29 quota buy-out legislation. He emphasized that there are many hurdles that have to be crossed over
30 before this legislation can pass, and negotiations are ongoing with the House and the Senate trying to
31 work out a compromise agreement that would be satisfactory to the many constituent groups interested
32 in this subject. In the packet there's also a recent *Times-Dispatch* article on this matter, and it's very
33 informative, and it's in your packet.

34 On the grant application for fiscal '04 grant cycle. The Education Committee has set a
35 December 1st deadline for applications. We have tentatively set a March 1st deadline for Southside and
36 Southwest applications for economic development, and we're hoping to accept Agribusiness applications
37 in the summer. The Staff will be conducting workshops as we have in the past two years, in Southwest
38 and Southside Virginia. If you have any questions on the grant process, we have two Staff persons, one
39 located in Southwest and one located in Southside. Mr. Jerry Fouse is located in Abingdon, and Britt
40 Nelson is located in South Boston.

41 An update on the Tobacco Region Opportunity Fund deal closing grants this past spring.
42 Since then we have allocated six grants for the projects listed here. There are numerous other
43 commitments we have made for pending deal closings. To date the Commission has paid out five point
44 nine million dollars in twelve grants to help create over four thousand jobs and a capital investment
45 totaling two hundred forty-eight million dollars for both regions.

1 Mr. Chairman's directions earlier this year, he directed Staff at our July meeting and this
2 meeting to have an economic summit for both regions. We had ours, of course, in July when we met at
3 Longwood, and we'll be having one here on this campus tomorrow for our Southwest partners
4 concerning economic development.

5 In addition, we've had discussions concerning tourism, and it is a big business in Virginia, and
6 we'd like to have it become a bigger business in Southwest and Southside Virginia. To that end, I've had
7 two meetings in Southwest and Southside with Alesia Bailey, who is the head of the Virginia Tourism
8 Corporation, to try to work out strategies on that subject.

9 Two housekeeping matters. Number one, we have an office location in Southwest now at the
10 Higher Education Center in Abingdon. Also, in the packets that were mailed to you there's some
11 information and a form to complete if you would like to participate in the Commonwealth's EDI
12 program and have reimbursements directly deposited into your bank. This has been strongly encouraged
13 by the administration and also by the General Assembly. That information is in your packet, and if you
14 have any further questions on that I would respectfully direct you to Ms. Wass for additional
15 clarification on that matter.

16 Future Commission meetings will be January 13th in Richmond, May 15th at a location to be
17 announced, July 22 in Bristol, Virginia, and in October at a location to be announced.

18 I'm pleased, Mr. Chairman, to recognize three new gentlemen that have been appointed by the
19 Governor of Virginia to serve on the Tobacco Commission and four gentlemen who have been
20 reappointed by the Governor of Virginia to serve on the Tobacco Commission. On behalf of the Staff we
21 would like to welcome the new members, and congratulations to those who have been reappointed.

22 Mr. Chairman, that concludes my official report to you this morning.

23 DELEGATE KILGORE: Thank you, Carthan, for all the hard work you've put into
24 this presentation. Do we have any questions of our Executive Director concerning his report?

25 DELEGATE HOGAN: Carthan, can you tell me how much money is in the Deal
26 Closing Fund?

27 MS. WASS: Deal closings uncommitted?

28 MR. PFOHL: We sent out five proposals for preapproval, and that draws our
29 balance down to about three hundred thousand. We've got some older pre-approvals that we can go back
30 in and recapture.

31 DELEGATE KILGORE: Does that answer your question?

32 DELEGATE HOGAN: Yes.

33 MR. CURRIN: I'm pleased to report, Delegate Hogan, that it's been active, that's
34 the good thing from the standpoint of creating jobs, which is one of our primary objectives on the
35 economic development side. Of course, the Commission can make adjustments in a given year if they
36 see fit and you want to put additional dollars into the fund if it becomes necessary to do so.

37 DELEGATE HOGAN: We've got six months to go and maybe five hundred
38 thousand dollars. How far can we go?

39 DELEGATE KILGORE: How hard is it to make adjustments if we need more
40 dollars into Deal Closing?

41 MS. WASS: To be able to transfer funds, I believe commitments were made at the
42 January meeting.

43 SECRETARY SCHEWEL: Mr. Chairman, I know of one fairly large one that's not
44 going to happen. I think there's some flexibility.

45 MR. CURRIN: Mr. Chairman, the Commission has some flexibility, and we've

1 done that in the past when we needed additional dollars.

2 DELEGATE KILGORE: Any other questions? All right, thank you, Carthan.

3 SENATOR HAWKINS: Next on our Agenda is Procurement Committee Report by
4 Delegate Kilgore.

5 DELEGATE KILGORE: Thank you, Mr. Chairman. We had a Procurement
6 meeting this morning, and we mailed some information to each of the members concerning the RFP, and
7 after this meeting we are ready to make a recommendation to the Commission concerning the RFP sent
8 out for the firm that would be operating or paying the farmers and doing our payment. To that end I'd
9 like to make a motion that we retain or enter into a contract with Troutman Sanders and authorize our
10 Executive Director to finalize that contract with Troutman Sanders.

11 SENATOR HAWKINS: There's a motion on the table for the Troutman Sanders
12 contract to be extended. Any discussion on that motion? Is there a second? All right, there's a second.
13 All those in favor say aye? (Ayes.) Opposed like sign? (No response.) Thank you.

14 Next is a report from the Search Committee, and unfortunately Claude Owen is not here, so
15 Secretary Schewel will deliver that report.

16 SECRETARY SCHEWEL: Mr. Chairman, since I'm substituting for Claude Owen,
17 the Chairman of the Committee, the Search Committee has been active, and we have conducted a search
18 for the Venture Capital position, and we contacted business people, bankers, non-profit community
19 foundations, and come up with eighty-seven potential candidates. We're in the process of contacting
20 potential candidates to determine their qualifications. The office has placed an advertisement in the
21 classified section of six newspapers in Southside and Southwest Virginia. All of them have run or will
22 run in the next week. Today we have received from those eighty-seven potential names and thirteen
23 resumes, and among the thirteen there are seven that we consider strong that we're considering. The
24 seven candidates include people from the public and private sector from neighboring southern states. In
25 addition, we have fifteen to twenty strong potential candidates that have expressed an interest in the
26 position but have not sent in their resumes, and we're encouraging them to send in their resumes. We'll
27 expect those in by the end of next week. At this point my office is working with the Search Committee
28 Chair to narrow this down to approximately six to eight candidates and then refer those for interviews in
29 late November.

30 SENATOR HAWKINS: Thank you, Secretary Schewel. This is something we
31 need to pursue fairly aggressively, and we have an obligation to put this in place as quickly as possible.
32 I'm sorry for the delay, but that's a lot of applications. I'm impressed by that, and I had no idea there'd be
33 that many.

34 SECRETARY SCHEWEL: I'm told by my deputy, who used to do this for a living,
35 thirteen to fifteen real names is typical for a search like this.

36 SENATOR HAWKINS: Next will be the Agribusiness Committee report from
37 Delegate Joe Johnson.

38 DELEGATE JOHNSON: Thank you, Mr. Chairman and members of the
39 Commission. At the last meeting of the Agribusiness Committee we recommended two projects, and
40 both of them were laid on the table so people could talk about them. In the meantime the Agribusiness
41 Committee recommends that the Halifax County, Mecklenburg, Pittsylvania County Southside Value-
42 Added Beef Initiative Pilot Project be approved. The Heart of Appalachia Tourism Authority,
43 Appalachian Legacy - Marketing Tourism through Heritage Products, a hundred and fifty thousand
44 requested, and the Committee has recommended or will recommend. So at this time it's requested that
45 the Tobacco Commission grant fifty thousand dollars to them, Group Content Incorporated for the

1 balance. Monies that we allocated to People Incorporated, later. The Sub-committee would recommend
2 these.

3 SENATOR HAWKINS: You're recommending all these projects?

4 DELEGATE JOHNSON: Yes.

5 SENATOR HAWKINS: We had some discussion at the last meeting dealing with
6 some projects, and probably we need to continue that. Joe, how would you like to proceed with these?

7 DELEGATE JOHNSON: Mr. Chairman, I know of no objection to the Heart of
8 Appalachia Tourism Authority, and I don't know about the other ones. I'd make a motion that we
9 approve that.

10 SENATOR HAWKINS: Is there a second to that? It's a second.

11 SECRETARY SCHEWEL: Mr. Johnson, is the Heart of Appalachia folks, are they
12 comfortable with this that they can essentially achieve the amount of money that they need to go
13 through this approach?

14 DELEGATE JOHNSON: Yes, sir. I think that is true, that was the indication this
15 morning. I told them that if it developed that they could not, then at the January meeting we could help
16 them a little more.

17 SENATOR HAWKINS: Did everyone hear the answer? That they would agree
18 and we could redo this in January. It's been moved and seconded.

19 MR. ARTHUR: Delegate Johnson, did you have unanimous approval of the Sub-
20 Committee on this particular one?

21 DELEGATE JOHNSON: I had no one say they objected to it.

22 MR. ARTHUR: That was not my, I had been told two.

23 SENATOR HAWKINS: Any other discussion on that?

24 MR. ARTHUR: No.

25 SENATOR HAWKINS: There's a motion on the table, and it's been moved and
26 seconded that we accept the recommendation on the Heart of Appalachia's proposal. All in favor say
27 aye? (Ayes.) Opposed?

28 MR. ARTHUR: No.

29 MR. MAYHEW: No.

30 MR. C. D. BRYANT: No.

31 SENATOR HAWKINS: Three no's.

32 DELEGATE JOHNSON: Mr. Chairman, on the Halifax County, Mecklenburg,
33 Pittsylvania County Southside Initiative Pilot Project I have heard maybe one that did not agree totally.
34 I still move that we approve that project.

35 SENATOR HAWKINS: It's been moved and seconded, for purposes of discussion
36 we're moving to the Beef Extension Project. Discussion?

37 DELEGATE JOHNSON: Mr. Chairman, I might say this is consistent with the
38 long-range plan.

39 MR. WALKER: Mr. Chairman.

40 SENATOR HAWKINS: Mr. Walker.

41 MR. WALKER: Delegate Johnson, is there any limitation on this as to being a full-
42 time, full-time farmers to participate?

43 DELEGATE JOHNSON: I do not know the answer to that.

44 SENATOR HAWKINS: Is there someone here that can address that?

45 MS. WALLACE: I'm Linda Wallace from Halifax County.

1 MS. TERRY: Mr. Chairman?

2 SENATOR HAWKINS: Ms. Terry.

3 MS. TERRY: The application calls for, you have to be eligible for twenty cows. I
4 was one of those last time very reluctantly because I had such admiration for the Chair, but I question
5 this on a couple of grounds. One of them is that I am fairly familiar with the program that the
6 government puts out, that the federal government provides. I'm familiar with that with my own farm.
7 The federal government recently has contemplated cutting the money for the program and have
8 increased the funds for the EQUIP program. That program helps you with water and forage and
9 pasturing, and I have an EQUIP grant right now. Under the new rules, new farmers that have been, or
10 farmers that have been in it for less than ten years, are eligible for up to ninety percent funding. This is
11 information we need to get out in the community, because folks don't know about it. I see some
12 significant overlap between what we're doing here and what's available through the federal government
13 and farm service agency and soil and water conservation services.

14 Secondly, Mr. Chairman, while this program has a threshold of owning twenty cows the
15 practical effect of this program is that it's a first-come/first-serve program. I know in my county if we
16 had this program the people that would be applying for it would be the big farmers who would have a lot
17 of assets that would want the cost sharing to buy a bull up to five thousand dollars and who would want
18 the cost sharing to buy a squeeze chute that they might not have had up to five thousand dollars. If
19 you're eligible and you've got twenty cows of a certain type you're eligible for five thousand dollars a
20 year for three different categories. May I respectfully suggest, Mr. Chairman, that for you farmers,
21 we've got federal programs that'll do the job. For the existing big cattle operators and the people that
22 have been beneficiaries of this program are going to be the ones who have vast assets already at their
23 disposal. I just don't think, Mr. Chairman, that this program, I think that this program could end up over
24 time costing, I just don't think it's the type of thing we should be doing, given the federal programs
25 available and given the way this program is structured.

26 SENATOR HAWKINS: Thank you. Obviously there's a response.

27 MS. WALLACE: I'm Linda Wallace, Agriculture Development for Halifax County,
28 the Director of it. Ms. Terry, we have some stipulations throughout the proposal that prohibit any
29 double dipping, so to speak. If you're receiving cost sharing through soil and water conservation, your
30 cost share or any type of federal cost share, you must exhaust those possibilities before you apply for
31 this program. If you have EQUIP with cost sharing money you're not eligible for this program. That's
32 stipulated throughout the program. It's for that very reason, to prevent any overlapping.

33 MS. TERRY: Mr. Chairman, those programs are designed, those federal programs
34 are designed for water quality and environmental quality, and there are individuals who would rather not
35 participate in those programs which are designed to protect the environment. This provides an
36 alternative for folks that don't really want to participate in federal programs and protect the streams and
37 waterways that we all have an interest in, and it's on a first-come/first-serve basis, and persons get up to
38 fifteen thousand a year. I think largely you're talking about farmers with vast assets that can take
39 advantage of it.

40 DELEGATE HOGAN: Mr. Chairman, what Ms. Terry is referring to are just that,
41 environmental programs and if you look at it don't necessarily benefit the farmer but rather the
42 environment and the water. This program isn't targeted as an environmental program but it's targeted as
43 a program for development of, it's an economic development program for beef production in Southside.
44 It's a different program.

45 DELEGATE JOHNSON: Mr. Chairman, this is a pilot program, and I would just

1 tell the Commission we had a pilot program over in Washington County in the Cattlemen's Association,
2 it has already paid big dividends to the farmers, and it would be a great pilot program to fit our long-
3 range plan. Of course, there's going to be people who object, and we understand that.

4 SENATOR HAWKINS: I know we had a discussion I think at the last meeting so I
5 wanted to spend a little more time on this one so we can all understand what we're doing. Martha, do
6 you want to explain this?

7 MS. MOORE: I'm Martha Moore representing the Virginia Farm Bureau. There
8 are a lot of parameters in agriculture, and one of the things we have to keep in mind is what affects
9 profitability. We've been working with the Governor's working group on trying to develop a plan that
10 would double farmers' receipts, and this is very consistent with that proposal. Although the Governor
11 has not released his report. I think if we can get to the market with preservation, and also another
12 program is the outreach program. How to educate farmers by getting them up to speed on the marketing
13 capacity and cooperatively sell their cattle together. Everyone says look at this proposal across the state
14 and working together from a profitability standpoint in an effort to increase farmers' profitability. I
15 believe some of the different information has been sent, and we have got some statistical data from other
16 states that are sharing what potential there is for profitability.

17 One of the other things I want to mention about pilot projects is really how we can expand
18 this for all of the region, how we can initially expand it in Southwest Virginia.

19 MR. BANNER: Mr. Chairman, I couldn't hear. What did the Committee
20 recommend, the amount of money to be spent here?

21 SENATOR HAWKINS: I believe it was five hundred thousand.

22 MR. BANNER: Thank you, sir.

23 SENATOR HAWKINS: That was matching funds, I believe.

24 MR. ARTHUR: Mr. Chairman, my opposition to this program is well documented,
25 and we won't go into that again from the last meeting. I'd like to say that I'm in favor of the pilot
26 program, but I still have problems with the way it's outlined and operated, this particular one. I'd like to
27 maybe give a background to give support to it, but I don't like the way the program is handled.

28 SENATOR HAWKINS: Would you like to state your opposition so everyone will
29 understand it?

30 MR. ARTHUR: My opposition to the base program is that we need to upgrade our
31 herds and provide for the increase in profitability. If we are going to, even on a cost-sharing basis, buy a
32 farmer a bull, in three years this bull will have gone full circle in the herd by approximately three years,
33 I would say, and that bull has to move on somewhere else. Who owns the bull? The farmer does, so
34 we're giving him a gift of this bull. I wouldn't have a word to say if these animals would be owned by a
35 cooperative and rotated around so that everyone would get the advantage of this. That's basically my
36 opposition. I also don't like the feeling of building fences for a wealthy farmer. I know it's a fifty/fifty
37 deal, but the rich get richer, and those are my comments. Thank you.

38 SENATOR HAWKINS: Any other comments from Commission members? The
39 question has been called for. Does everyone understand the question that is before us? Any of the new
40 members need clarification on this? If you do, please speak up.

41 SECRETARY SCHEWEL: Mr. Chairman, if the Commission decides to approve
42 this, is there anything in the pilot program that would effectively report back the results in terms of
43 issues that have been raised? For example, who will be benefiting from this program, what happens, or
44 what is the proposal for dealing with the issues that Mr. Arthur raised and in a way of assisting this pilot
45 program?

1 MS. MOORE: That's one of the questions that came up during the Agriculture
2 Business Sub-Committee meeting in Roanoke, the make-up of the Committee. If you look at the
3 handout that we gave out, we would very much like a member of the Agribusiness Sub-Committee of
4 the Tobacco Commission to sit on the Disbursement Oversight Committee in this pilot project. In the
5 program we can come back and demonstrate to the Commission that it should be broadened to the
6 regions, not only of Southside but Southwest Virginia, how the administrator would do that. We
7 certainly would welcome the opportunity to come back to the Commission and address the issues that
8 are brought up here today. That's part of the reason for the pilot project on a small scale, is to look
9 ahead to see how you would effectively administer it and whether those issues they are concerned about
10 actually play out. So we'd love to come back before the Commission or the Sub-Committee at the
11 Commission's discretion.

12 MS. TERRY: Mr. Chairman, cattle prices are at an all time high, and they've never
13 been higher than they are right now. My question is if the Commission agrees with this project, if the
14 Commission is prepared to spend six or seven million dollars, the cost of Southside is seven million, are
15 we prepared to spend up to seven million dollars assuming this works for all of Southside and
16 Southwest, is that the best use of those dollars?

17 SENATOR HAWKINS: Our charge is to try to stabilize the economy, and
18 agriculture has been one of our main sources of revenue throughout our entire areas. Anything we can
19 do to help the family farms survive in this climate I think is something we should do. An open-ended
20 commitment, I'm not sure we plan to do that, but I think there's an understanding from the Agriculture
21 Committee as well as other members who are involved in day-to-day commerce in agriculture that if
22 Virginia plans to be competitive in the marketplace we need to upgrade our herds, and that's all I know
23 of the subject matter. I left the farm when I was fifteen because I didn't want to work that hard, and
24 that's all I know. I can assure you that everything will be gauged on the cost benefit analysis of what it
25 brings into the Commonwealth of Virginia and what it does to stabilize the farmer before we endorse it.
26 Out of hand to reject something because it may not fit a mold in the future I don't think is responsible. If
27 we can help our farmers find another source of income through beef production that is competitive in the
28 marketplace and provide the type of income to help these family farmers survive without selling off, I
29 think that's something we should look at, but it shouldn't be open-ended.

30 MS. TERRY: Mr. Chairman, I think that's a wonderful concept, and we're talking
31 about means, there's no means test here.

32 DELEGATE BYRON: Mr. Chairman, the question has been called.

33 SENATOR HAWKINS: I apologize, historically I don't like to spend this much
34 time on the subject. The reason I'm doing it, and I apologize to you, I'm trespassing on Robert's Rules of
35 Order, but we have two new members who are not familiar with what we are talking about. This subject
36 matter has created controversy, and I want to make sure that every one of the members of this
37 Commission are familiar with it before they vote. So, I'm spending more time on it than we normally
38 would. I don't want us to ram this through one way or the other just to get it off the table. So, I
39 apologize for that.

40 MS. TERRY: I didn't hear the question called for.

41 SENATOR HAWKINS: This has been an ongoing debate, but before we call for
42 the question, does everyone understand the subject we're voting on?

43 SECRETARY SCHEWEL: Mr. Chairman, I think I understand the program. I just
44 want to be sure in the sense that the applicant understands with respect to me what my vote will mean.
45 A vote for the pilot project and even if the pilot project is reasonably successful, my vote does not

1 suggest that I'm voting for the other six and a half million dollars when it comes up again. I expect a
2 number of people who are on the Committee feel the same way. Don't want this vote misunderstood.

3 SENATOR HAWKINS: Before we vote, the oversight committee you're talking
4 about, how will it be made up and who?

5 MS. MOORE: If you look at page two of the handout that was sent to you prior to
6 the meeting, the Halifax County Beef Cattle Producers are now basically represented by the Halifax
7 County Virginia Cooperative Extension with approval from the Halifax Soil and Water Conservation
8 District Board of Directors, an elective board. Mecklenburg County Beef Cattle Producers, Pittsylvania
9 County Beef Cattle Producers, Soil and Water Conservation District Technicians as appointed by the
10 Virginia State Soil and Water Conservation District and a member of the Virginia Tobacco
11 Indemnification and Community Revitalization Sub-Committee. There are five members, and there are
12 several ex-officio members who help do staff work.

13 SENATOR HAWKINS: C. D. was put on the Board. Is everyone comfortable with
14 the vote on this? All those in favor say aye? (Ayes.) Opposed? (No.)

15 Call the roll, Carthan.

16 MR. CURRIN: Mr. Arthur?

17 MR. ARTHUR: No.

18 MR. CURRIN: Mr. Banner?

19 MR. BANNER: Aye.

20 MR. CURRIN: Deputy Secretary Curry?

21 MS. CURRY: Aye.

22 MR. CURRIN: Mr. Bryant?

23 MR. BRYANT: Aye.

24 MR. CURRIN: Delegate Byron?

25 DELEGATE BYRON: Aye.

26 MR. CURRIN: Commissioner Courtier?

27 COMMISSION COURTIER: Aye.

28 MR. CURRIN: Delegate Dudley?

29 DELEGATE DUDLEY: (No response.)

30 MR. CURRIN: Mr. Fields?

31 MR. FIELDS: Aye.

32 MR. CURRIN: Mr. Hite?

33 MR. HITE: (No response.)

34 MR. CURRIN: Delegate Hogan?

35 DELEGATE HOGAN: Aye.

36 MR. CURRIN: Mr. Hopkins?

37 MR. HOPKINS: Aye.

38 MR. CURRIN: Mr. Jenkins?

39 MR. JENKINS: (No response.)

40 MR. CURRIN: Delegate Johnson?

41 DELEGATE JOHNSON: Aye.

42 MR. CURRIN: Mr. Mayhew?

43 MR. MAYHEW: Aye.

44 MR. CURRIN: Mr. Montgomery?

45 MR. MONTGOMERY: No.

1 MR. CURRIN: Mr. Moody?

2 MR. MOODY: Aye.

3 MR. CURRIN: Mr. Owen?

4 MR. OWEN: (No response.)

5 MR. CURRIN: Mr. Owens?

6 MR. OWENS: Aye.

7 MR. CURRIN: Senator Puckett?

8 SENATOR PUCKETT: Aye.

9 MR. CURRIN: Senator Ruff?

10 SENATOR RUFF: Aye.

11 MR. CURRIN: Secretary Schewel?

12 SECRETARY SCHEWEL: Aye.

13 MR. CURRIN: Mr. Stallard?

14 MR. STALLARD: Aye.

15 MR. CURRIN: Mr. Taylor?

16 MR. TAYLOR: Aye.

17 MR. CURRIN: Ms. Terry?

18 MS. TERRY: No.

19 MR. CURRIN: Mr. Thompson?

20 MR. THOMPSON: Aye.

21 MR. CURRIN: Mr. Walker?

22 MR. WALKER: No.

23 MR. CURRIN: Senator Wampler?

24 SENATOR WAMPLER: Aye.

25 MR. CURRIN: Mr. West?

26 MR. WEST: Aye.

27 MR. CURRIN: Delegate Wright?

28 DELEGATE WRIGHT: Yes.

29 MR. CURRIN: Vice-Chairman Kilgore?

30 VICE-CHAIRMAN KILGORE: Aye.

31 MR. CURRIN: Mr. Chairman?

32 SENATOR HAWKINS: Aye. Motion passes. I think as Secretary Schewel stated
33 this is not an open endorsement, and we'll see how this works out. C. D. Bryant will serve on that
34 committee.

35 DELEGATE JOHNSON: Mr. Chairman, the only other thing we have laid on the
36 table is the guidelines for the Agribusiness Grant Program. It was passed out at the last meeting and
37 held over. I'd move that the Agribusiness Grant Program guidelines and instructions be approved.

38 SENATOR HAWKINS: It's been moved, is there a second? It's seconded that the
39 guidelines be approved. Any discussion? All in favor say aye? (Ayes.) Opposed? (No response.) Joe,
40 thank you and the Committee, appreciate the work you've done.

41 Next is Southside Economic Development Committee report, Tom Arthur.

42 MR. ARTHUR: You're being given a handout here, and if you'd take a quick look
43 at it and familiarize yourself with it. At the Farmville meeting the Southside Economic Development
44 Sub-Committee voted to entertain another round of economic development requests because large sums
45 of money had not been accessed and there were some good projects out there. We sent out a notice after

1 that meeting to various parties and all counties that we were going to entertain a second round of
2 applications. Coming out of that request we received five applications, three of which were from
3 Halifax County, one was from Lunenburg and one from Mecklenburg.

4 DELEGATE KILGORE: Do you want to go through them one at a time?

5 MR. ARTHUR: Since there's only four, yes. The first one is from Halifax County,
6 Riverstone Technology Park Building for a million one point eight. The building is already leased before
7 starting construction, and it'll bring seventy-five jobs to Halifax County. The recommendation was full
8 funding contingent on the leasing parties move out and sold to a private entity that we can be repaid.

9 Also from Halifax County there's a request for fifty-three thousand dollars for upgrade to a
10 building to make it suitable for two tenants. We recommended full funding on that. All these funds
11 were within Halifax County's allocation.

12 The Victoria water treatment plant upgrade in Lunenburg County for infrastructure that
13 desperately needed upgrade, and we recommended full funding on that one contingent on final
14 construction and the actual bid process.

15 The fourth project that we recommended funding on was the Estes Center Expansion Project,
16 and that's an upgrade to the existing school directed primarily at the school of nursing for additional
17 facilities, and we recommended full funding.

18 The fifth project on the back was for a VIPER project. The VIPER project was stated to be a
19 good project for the area, and we all were in favor of the project, but we felt that the cart was before the
20 horse, and they were requesting operating funds basically from us, and we didn't know at the time that
21 the project was going to get off the ground. We tabled that project until the January meeting. At that
22 time we'll know better where the actual project stands.

23 The other recommendation is that this Committee and as has been stated the objective is to
24 promote small business and private ownership in our area. Along those lines the Southside Committee
25 voted to approve one million dollars in capital access funds, which is from the line item in the '03
26 budget. As Senator Hawkins has stated, it is our desire to provide capital access, and that is our
27 recommendation for that one million dollars. I move that you accept the report as submitted.

28 SENATOR HAWKINS: It's been moved and seconded, any discussion or any
29 questions about the presentation? All those in favor of the report signify by saying aye? (Ayes.)
30 Opposed, like sign? (No response.)

31 MR. ARTHUR: Thank you, Mr. Chairman.

32 SENATOR HAWKINS: Thank you. Next is Special Projects Committee Report,
33 Senator William Wampler.

34 SENATOR WAMPLER: Thank you, Mr. Chairman and members of the
35 Commission. I would like to draw your attention to the inside of your folder, there should be two items.
36 One would be a spreadsheet that has the actual recommendations from the Special Projects Committee,
37 the other would be guidelines that we will ask the Commission to adopt. We have an updated version
38 from yesterday's meeting, and I'll wait for a moment for those to be passed out. As the Commission
39 members are receiving the handout, Mr. Chairman, it would be my intention to first bring up the
40 guidelines, and we can address those. If the Commission members would find that one sheet of paper
41 that has Special Projects and a series of paragraphs that will describe what we believe to be the
42 necessary guidelines for Special Projects. Mr. Chairman, there's no magic as to how we would present
43 this, but I would ask that as you glance over this draft we wanted to say to the two respective regions
44 that we're looking for projects that are regional in scope, we are looking for projects that are innovative
45 projects, projects that typically would not be funded from other sources, and we're looking for projects

1 more specifically, and if you would go to the ineligible activities for funding, which is halfway down the
2 page, infrastructure or projects for water, sewer, telecommunications, transportation, agribusiness or
3 education unless the proposal involves the active participation of three or more tobacco region localities.
4 And, let me spend just a moment on that and try to tell you at least what the method was for the Sub-
5 Committee and our determination. We wanted to have multiple counties, and in a perfect world that's
6 what we would ask for. We realize it's hard for a water project to get more than one county to lay than
7 many linear feet to make it work, but we decided that the broadest definition, that of a county, city or
8 town would be the definition of what a locality would be. As the delegate from Hatter's Gap, Mr.
9 Johnson, he tells us that sometimes we have trouble with towns trading quarters with each other and that
10 if we provide the financial incentive I think that we as a Commission have done our work and helped
11 with the impact there. That's where most of the discussion centered yesterday.

12 On the very bottom part of the page and this form will be developed by Staff. We wanted to
13 put that burden on the applicant to tell us why there was an immediate need for us to take the project up
14 at this particular time. We felt it was important to have an open submission, and there might be a project
15 that does not fit the Tobacco Commission's timeline, and that was the guidance that we offered.

16 I would defer to Staff for just a moment if there are any other major points that the Chair has
17 not communicated? Mr. Ferguson, do those address your points also?

18 Mr. Chairman, I think it's self-explanatory that it's not a perfect work of art, but I think it
19 gives a little more guidance as to what Special Projects will do.

20 SENATOR HAWKINS: Senator Wampler, you're exactly on target, Special
21 Projects is just that. That's beyond Southside and Southwest economic development, and it encourages
22 cooperation, and this is something that we should have done four years ago when we put these
23 committees in place. Any discussion or any questions? Is there a motion for acceptance?

24 MR. BRYANT: Mr. Chairman?

25 SENATOR HAWKINS: C. D.

26 MR. BRYANT: Senator Wampler, next to the last category, the town of Abingdon
27 in Washington County, Sunnyside Communities.

28 SENATOR WAMPLER: Can I do the proposed guidelines first? We didn't get into
29 the actual dollars.

30 DELEGATE JOHNSON: I move the guidelines be adopted.

31 SENATOR HAWKINS: It's been moved and seconded that the draft proposal for
32 Special Projects Guidelines be adopted. Any discussion? All those in favor say aye? (Ayes.) Opposed?
33 (No response.) Senator Wampler.

34 SENATOR WAMPLER: Mr. Chairman, now if we can turn to the spreadsheet that
35 has the projects I will tell you that out of the several times that we've gone through the exercise this is
36 one of the more difficult ones. The main reason is that we had about sixteen million dollars worth of
37 projects before Staff had to work with several of the applicants and say it didn't meet the definition and
38 referred to various other committees for funding. We whittled that down to twelve point six million
39 dollars worth of requests, and we had about one point nine million dollars with which to allocate. I
40 would also inform the Full Commission this is the first time that if recommendations are adopted we
41 will have a zero balance in Special Projects. In the previous two years we have kept a balance of several
42 million dollars to help close a deal that perhaps did not fit the trough funding. I'd say that four point
43 four million that we anticipated being deposited in April is how we recapitalized the account, and we've
44 got to be very careful how we spend those dollars in the future. I want to make it very clear that we're
45 spending this down to a zero balance with the applications that we have.

1 Mr. Chairman, whatever the will of the Commission is I will explain every one, but I think
2 they're self-explanatory by the spreadsheet, and perhaps without objection we'll take them up in a block,
3 and if anyone has any questions we can take them up then.

4 SECRETARY SCHEWEL: Mr. Chairman, I'd like to make a comment that the
5 guidelines we just adopted was not the guiding principle behind this round of grants. The sequence is
6 that these are adopted after this round, adopted for the next round.

7 SENATOR HAWKINS: Thank you for pointing that out.

8 DELEGATE HOGAN: Mr. Chairman.

9 SENATOR HAWKINS: Delegate Hogan.

10 DELEGATE HOGAN: I don't know if we want to take them as a block.

11 SENATOR HAWKINS: We can pull those out. We can have discussion on them.
12 If there's any questions on one, then we'll talk about that individually. Is there a motion to accept the
13 recommendation? It's been moved and seconded. Now, with each, and let me just comment on this for a
14 second and go down the list. If you have an objection to any of the recommendations, if you would note
15 that objection we can discuss it and take it out of the block.

16 DELEGATE HOGAN: Mr. Chairman, I'd like to pull Sunnyside Communities out
17 of the block.

18 SENATOR HAWKINS: That's second from the bottom under the Town of
19 Abingdon and Washington County, Southwest Virginia, is out of the block. Any other comments?

20 SENATOR WAMPLER: Mr. Chairman, might I suggest that if there's any other
21 that are pulled out we can take those up and explain them in greater detail.

22 SENATOR HAWKINS: If there's any questions about any of them we'll pull them
23 out of the block and discuss them separately. And, if not, we're going to vote on this block with the
24 exception of Sunnyside Communities. Is that understood?

25 SENATOR RUFF: Mr. Chairman, not that I necessarily want to pull it out of the
26 block; in Grayson County, how many households would that be dealing with?

27 SENATOR WAMPLER: Mr. Chairman, it's not so much the households as it is the
28 economic development and the new corridor for development. Currently Grayson County and the Town
29 of Independence, their water source is seven wells, and those wells are inadequate either in terms of
30 quality or quantity. Another source is Route 58 funding, and once the Independence by-pass is
31 completed, we believe there'll be a tremendous growth in the corridor. The seven wells the whole town
32 is relying on, and you can't do much economic development if your water source is based on wells. So,
33 we're really betting on the future economic development. I'm not sure we should place our funding
34 priorities on residential water prospects. By developing a water treatment plant on the New River and
35 being able to increase the source and quantity is really what this is all about.

36 SENATOR RUFF: Mr. Chairman, with that explanation I have no objection.

37 SENATOR HAWKINS: Are you all comfortable with voting on this as a block
38 with the exception of Sunnyside? It's been moved and seconded that the report be adopted as a block,
39 removing from the block Sunnyside.

40 DELEGATE BYRON: Are you removing, I'm not sure, is it a question or --

41 SENATOR WAMPLER: -- Mr. Chairman, let's have Staff talk about Sunnyside. It
42 may remain in the block, and it may not, and that's fine. We can get an explanation from Staff why we
43 came up with that.

44 SENATOR HAWKINS: Does anyone see anything before we vote on this, do you
45 want to discuss whether to leave it in the block?

1 DELEGATE BYRON: I'd like to speak about VIPER. We had that in our
2 Economic Development Committee, and I'd like to know based on that, the money requested there
3 which we did not approve, and it was pretty much delayed until our January meeting. Based on what's
4 come out here a hundred and fifty thousand would put it into the administration of marketing and site
5 development. How far is a hundred and fifty thousand going to take them when there hasn't been any
6 more approval down the lane in January?

7 SENATOR WAMPLER: Mr. Chairman, perhaps Secretary Schewel can help me
8 out on this. The feeling of the Special Projects Committee that we not let it die on the vine and that we
9 at least provide some seed capital and that we expect that they report in January as to a specific number
10 of jobs that would be created and the amount of investment that could be expected as a result of what
11 they believe their marketing plan to be. We were very clear that it would be on a reimburse basis. We
12 gave the Director, Mr. Currin, the discretion to say you are not meeting those objectives, and I think
13 that's a fair assessment. Mr. Secretary, anything else?

14 SENATOR HAWKINS: Secretary Schewel?

15 SECRETARY SCHEWEL: I would agree with that summary.

16 SENATOR HAWKINS: We need to make sure where the money is going, and the
17 Senator has described it for the January meeting.

18 DELEGATE BYRON: I understand that, and the only thing I'm asking is that a
19 hundred and fifty thousand if we don't have a commitment for future money and you're talking about the
20 merits of the program, will the program still be able to go forward, or will the hundred and fifty
21 thousand be for naught?

22 SECRETARY SCHEWEL: The heart of the program is this, the machine, which I
23 couldn't begin to describe accurately. Basically it's a way of mimicking the effects on a car being on
24 track. That machine costs about seven hundred and fifty thousand dollars, and some other peripheral
25 machinery is required. The key aspect of the proposal originally was to have private parties interested in
26 using that machine, and public as well, that would then take those fees, which over time would support
27 the program and pay for the costs. One of the main things this person would do or money would be
28 spent would be someone that would be seeking to put in place a contract with private parties and will
29 then basically have a commitment to the project, which will then create a sustainable basis for the
30 project. The thought being then that either through other sources or our source if we decided to come
31 forth and say we've got commitments for five hundred thousand dollars worth of contracts. It is
32 certainly possible, I think, with any of these circumstances, that when the time comes they won't be able
33 to make their case, and we would have spent a hundred and fifty or a hundred and twenty-five thousand
34 ultimately didn't pan out. I think this is a reasonable way to move the project forward building a
35 business case, which is why this is a sustainable project.

36 DELEGATE BYRON: It's really a marketing investor type business, which makes
37 sense, and that's my question.

38 SENATOR HAWKINS: Any other discussions? Everyone comfortable with the
39 block with the exception of Sunnyside Communities, which we'll vote on separately?

40 MR. ARTHUR: Mr. Chairman, if we vote on that in a block I will be voting yes,
41 but on the Southside Business Initiative, I'm on the Board of that organization, and I'll abstain on that
42 portion.

43 SENATOR HAWKINS: Before us is a recommendation from Special Projects to
44 be voted on in a block with the exception of Sunnyside Communities, which has been removed from the
45 block, and with the exception of the one piece that Mr. Arthur has a conflict in, will be voting as an

1 abstention or conflict of interest. Any more discussion? All those in favor say aye? (Ayes.) Opposed?
2 (No response.) Thank you.

3 SENATOR WAMPLER: Mr. Chairman, I'd like to make a couple of brief
4 observations, and then I'll call on Tim to see what he can do with it. After considerable discussion we
5 felt like this forty thousand dollars would help bridge the gap for an initial study to determine whether
6 this project fit in Southwest Virginia. I would look every Commission member in the eye and say that
7 the marketing study portion or the generic portion of that study is applicable both in Southwest and
8 Southside. What this non-profit entity is trying to do is to provide a niche in the marketplace where
9 folks don't have to move out of the region for their golden years. I would say the area that the Special
10 Projects Committee had to focus on was number of jobs created. The range there was a hundred and
11 twenty-five to a hundred and fifty, depending on the size of the project. The investment would bring
12 some forty to forty-five million dollars of development to the region for this complex. They're no
13 stranger to Virginia, having one in Martinsville, Harrisonburg and in Waynesboro. The plan is solid, and
14 it's been there. Washington County has anted up fifty thousand dollars, the Town of Abingdon fifteen
15 thousand. They were originally asking a hundred and thirty-five thousand dollars, and that's why I'll ask
16 Tim to develop the mechanics of where we go to at least move it forward with the initial forty thousand.
17 The forty thousand would cover them through the first two phases of a three-phase marketing plan.

18 SENATOR HAWKINS: Now, before you give us that information, Tim, does the
19 explanation given by Senator Wampler answer any questions that those of you have?

20 DELEGATE HOGAN: I just have one comment, and I want to register a no vote
21 on this. Number one, this is a study, and I believe we have voted against studies in the past on a
22 consistent basis. Number two, I have a question whether this should be in front of Special Projects. The
23 merits of the project and the things Senator Wampler discussed I heard yesterday. I'm not trying to stop
24 the project, I just don't want to vote for it.

25 SENATOR HAWKINS: So you're prepared to vote?

26 DELEGATE HOGAN: Yes, sir.

27 SENATOR HAWKINS: Any other questions before we take a vote? Is there a
28 motion to accept the recommendation? It's been moved and seconded that the recommendation for the
29 Sunnyside Project consisting of the forty thousand dollar amount of money be agreed to. All those in
30 favor say aye? (Ayes.) Opposed? (No.) Call the roll, Carthan.

31 MR. CURRIN: Mr. Arthur?

32 MR. ARTHUR: No.

33 MR. CURRIN: Mr. Banner?

34 MR. BANNER: Aye.

35 MR. CURRIN: Deputy Secretary Curry?

36 MS. CURRY: Aye.

37 MR. CURRIN: Mr. Bryant?

38 MR. BRYANT: Aye.

39 MR. CURRIN: Delegate Byron?

40 DELEGATE BYRON: No.

41 MR. CURRIN: Commissioner Courtier?

42 COMMISSION COURTIER: Aye.

43 MR. CURRIN: Delegate Dudley?

44 DELEGATE DUDLEY: (No response.)

45 MR. CURRIN: Mr. Fields?

1 MR. FIELDS: Aye.
2 MR. CURRIN: Mr. Hite?
3 MR. HITE: (No response.)
4 MR. CURRIN: Delegate Hogan?
5 DELEGATE HOGAN: No.
6 MR. CURRIN: Mr. Hopkins?
7 MR. HOPKINS: Aye.
8 MR. CURRIN: Mr. Jenkins?
9 MR. JENKINS: (No response.)
10 MR. CURRIN: Delegate Johnson?
11 DELEGATE JOHNSON: Aye.
12 MR. CURRIN: Mr. Mayhew?
13 MR. MAYHEW: Aye.
14 MR. CURRIN: Mr. Montgomery?
15 MR. MONTGOMERY: Aye.
16 MR. CURRIN: Mr. Moody?
17 MR. MOODY: Aye.
18 MR. CURRIN: Mr. Owen?
19 MR. OWEN: (No response.)
20 MR. CURRIN: Mr. Owens?
21 MR. OWENS: Aye.
22 MR. CURRIN: Senator Puckett?
23 SENATOR PUCKETT: Aye.
24 MR. CURRIN: Senator Ruff?
25 SENATOR RUFF: Aye.
26 MR. CURRIN: Secretary Schewel?
27 SECRETARY SCHEWEL: Aye.
28 MR. CURRIN: Mr. Stallard?
29 MR. STALLARD: Aye.
30 MR. CURRIN: Mr. Taylor?
31 MR. TAYLOR: No.
32 MR. CURRIN: Ms. Terry?
33 MS. TERRY: Aye.
34 MR. CURRIN: Mr. Thompson?
35 MR. THOMPSON: Aye.
36 MR. CURRIN: Mr. Walker?
37 MR. WALKER: No.
38 MR. CURRIN: Senator Wampler?
39 SENATOR WAMPLER: Aye.
40 MR. CURRIN: Mr. West?
41 MR. WEST: Aye.
42 MR. CURRIN: Delegate Wright?
43 DELEGATE WRIGHT: Aye.
44 MR. CURRIN: Vice-Chairman Kilgore?
45 VICE-CHAIRMAN KILGORE: Aye.

1 MR. CURRIN: Mr. Chairman?

2 SENATOR HAWKINS: Aye. Motion is carried.

3 SENATOR WAMPLER: Mr. Chairman, I don't know that we did justice in
4 describing the two marketing plans for the two regions, and those were our most significant investments.
5 If you listen to your local economic developers they will tell you they're starved for leads right now, and
6 this is an effort to jump-start that. It's in conjunction with economic development partnership. What we
7 hope will happen is that we will generate a lot of our own business, and we will work in conjunction
8 with the state. I say that in a respectful manner with Mr. Secretary seated at the table. We do not have
9 the luxury of waiting for the economy to turn like many of our more urban areas of the state, and we
10 believe this is a significant investment. And that's probably the two signature items that we have before
11 you.

12 SENATOR HAWKINS: You all have done an outstanding job. Secretary Schewel.

13 SECRETARY SCHEWEL: I'd like to make a point as much for the Commission as
14 for the people listening. Based on the guidelines that Senator Wampler has presented and the
15 Commission adopted, I do think it's important to realize that a number of things that have come before
16 the Special Projects Committee would no longer meet the criteria of the Special Projects Committee.
17 Those that are seeking application need to realize that things have now changed. So there's a different
18 set of criteria. I want to be sure that potential applicants are aware of that.

19 SENATOR HAWKINS: Mr. Secretary, that's exactly the reason that I applaud
20 Senator Wampler, because we've needed these guidelines for a long time to let people know what the
21 parameters are.

22 SENATOR WAMPLER: Thank you, Mr. Chairman.

23 SENATOR HAWKINS: Thank you all. Our next item on the Agenda is Delegate
24 Hogan's Technology Committee Report. I'm informed that the lunch is here, so let's go ahead and take
25 lunch and then come back in and get started.

26
27 NOTE: A lunch recess is had.
28

29 SENATOR HAWKINS: All right, Delegate Hogan, we're ready for your
30 presentation on the Technology Committee Report.

31 DELEGATE HOGAN: Mr. Chairman and members of the Committee, after
32 several years of deliberation on this subject, I'm happy to tell you we have a proposal before you, and I'll
33 ask for the approval of some funds to that end. We have tried to work with a variety of other entities and
34 the federal government to leverage funds to move this project forward and not be totally dependent on
35 our own resources to fund all of this quite expensive project. To that end we'll ask you for some action
36 now, and then we'll come back in January with a more detailed plan. In short, we would ask for a
37 motion to get three point three five million, which is oddly enough the same amount the federal
38 government will give us from EDA to work with Mid-Atlantic Broadband Cooperative, which is one of
39 the responses to our RFI. That amount of money for dark fiber infrastructure within the Southside
40 region which will be integrated into a larger Tobacco Commission broadband project. This grant comes
41 with the following contingencies. Number one, that they're successful in getting funding from EDA.
42 Number two, this infrastructure will be managed and operated by a provider approved by this
43 Commission. Number three, the final board approval for the Mid-Atlantic Broadband Commission will
44 be done by this Commission. With those three caveats, we'd ask for approval.

45 SENATOR HAWKINS: This is our signature project, we have two things that we

1 can hang our hats on, and this is one of them. It is the first step in this long technology process. I
2 personally want to thank you for this and this has not been an easy burden. Any discussion?

3 DELEGATE WRIGHT: I'll second it.

4 SENATOR HAWKINS: It's been moved and seconded. Do you feel comfortable
5 with this organization? All right. Any discussion? All in favor say aye? (Ayes.) Opposed? (No
6 response.) Thank you.

7 DELEGATE HOGAN: Thank you. This proposal, one thing, this proposal was
8 entirely, or one of the reasons to take this action today is to get involved in this federal grant process.
9 This proposal is going to cost us many millions of dollars in the next couple of years. If we do not
10 allocate the resources to this project that will allow us to move forward, we will not be able to do it at
11 all, or we'll be able to do it only on a very, very mismatched sort of way. What the Southside portion of
12 this Technology Sub-Committee contemplates is open access infrastructure to every single industrial
13 park in the Southside area, fifty-six industrial parks. With the support of this Commission and a little bit
14 more work we think we can have that in place in very short order, but we'll need resources to do it, and
15 that's going to require us to deal with that.

16 SENATOR HAWKINS: Building on that, and I'm only one vote of the thirty-one
17 member Commission, but I can assure you I'm going to vote to get this done as quickly as possible,
18 because yesterday was too late. Thank you, sir.

19 Next, and getting toward the end of the Agenda, the best for last. The Educational Committee
20 Report, Senator Frank Ruff.

21 SENATOR RUFF: Mr. Chairman, the Education Committee only has one item
22 before us. Earlier in the year we made the decision to hold off on any action on any other education
23 proposals until after we had guidelines. You all have been sent copies of the proposed guidelines.
24 Yesterday at the meeting we made the decision to accept those with some clarifications and changes,
25 which were passed out before. The Committee recommended those changes, and the guidelines and
26 applications were approved, and now we'll ask the Commission to do so.

27 SENATOR HAWKINS: Is that the motion?

28 SENATOR RUFF: That is the motion.

29 SENATOR HAWKINS: It's been moved and seconded that the guidelines be
30 adopted. Is there any discussion? All right. This is another one of our signature projects. All those in
31 favor say aye? (Ayes.) Opposed? (No response.) Thank you.

32 SENATOR RUFF: Mr. Chairman, I would add that the application deadline for any
33 other proposals to be considered is December 1st, and we'll try to evaluate them and make judgments on
34 them by January, hopefully.

35 SENATOR HAWKINS: Thank you, sir, and I appreciate that.

36 Next is Public Comment. Anyone want to make a comment? Going once, going twice. Is
37 there a motion to adjourn? All right. All in favor say aye? (Ayes.) We're adjourned. Thank you all,
38 very much.

39
40
41 PROCEEDINGS CONCLUDED.
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CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at large, do hereby certify that I was the court reporter who took down and transcribed the proceedings of the **Virginia Tobacco Indemnification and Community Revitalization Full Commission Agenda when heard at the Slemp Student Center, University of Virginia at Wise on Wednesday, October 22, 2003 at 11:00 a.m.**

I further certify this is a true and accurate transcript to the best of my ability to hear and understand the proceedings.

Given under my hand this 14th day of November, 2003.

Medford W. Howard
Registered Professional Reporter
Notary Public for the State of Virginia at Large

My Commission Expires: October 31, 2006.